



SOUTHWESTERN LAW SCHOOL

3050 Wilshire Boulevard • Los Angeles, CA 90010-1106

T: 213.738.6719 / E: finaid@swlaw.edu
www.swlaw.edu/student-services/finaid

Direct Loans – Frequently Asked Questions

Up until the 2010-2011 academic year and prior years, Southwestern Law School participated in what was known as the Federal Family Education Loan Program (FFEL), a public-private partnership in which private for-profit and non-profit lenders made federally-guaranteed loans to students and parents. However, recent changes made by Congress to the FFEL Program, combined with the current economic downturn, have caused a significant number of lenders to exit the program. In some cases, students had to choose a different lender for their subsequent loan needs. This also impacted the number of repayment incentives available to borrowers. *Therefore, Southwestern Law School has decided to end its participation in the FFEL Program and instead transition to the William D. Ford Direct Loan Program beginning with the Summer 2010 term.*

Currently, the Direct Loan Program provides the most stable source of loan funding available because the loan funds are provided directly by the federal government. We believe that making this transition now will ensure that Southwestern students continue to have access to a secure, dependable, and cost-effective source of funding while providing a more streamlined and predictable borrowing experience.

What is the William D. Ford Direct Loan Program?

The William D. Ford Federal Direct Loan Program provides loans to eligible borrowers to cover postsecondary education costs. Direct Loans are low-interest loans for students and parents to help pay for the cost of a student's education after high school. The lender is the U.S. Department of Education rather than a private bank, lender or other financial institution.

Direct Loans, as they are commonly known, are Stafford and PLUS loans, plain and simple. They are called "Direct" because the students and/or parents are borrowing directly from the U.S. Department of Education.

What are the benefits of Direct Loans?

Direct Loans provide a single point of contact through the Direct Loan Servicing Center for all student and parent borrowers, even if you receive Direct Loans at different schools. Also, loans borrowed from the U.S. Department of Education are never sold to another entity. Your Direct Loan account provides you online access to your loan information 24 hours a day, 7 days a week. After graduation, you can consolidate your Direct Loans with other federal student loans from private lenders, giving you one simple payment. Direct Loans also offer flexibility, allowing you to choose from several repayment plans designed to meet your needs.

How will this affect my current loans?

The Stafford and PLUS loans you received for the 2009-2010 academic year and prior years will remain with the lender you borrowed from or with the servicer your lender *may* have sold them to. In some cases, private lenders may have sold your Stafford and/or Grad PLUS loan(s) to the federal government. This does not mean your loans were converted to Direct Loans. For the 2010-11 academic year, borrowers will receive new loans directly from the U.S. Department of Education.

What do I have to do to get a Direct Loan?

Your first step to receiving a Direct Loan is completing the FAFSA (Free Application for Federal Student Aid). Once the Financial Aid Office reviews your FAFSA information, we will send you a financial aid award letter, which will contain detailed instructions for securing your Direct Loan. One of those instructions will tell you how to complete a Direct Loan Master Promissory Note (MPN), which explains the terms and conditions of your loan and is your legally binding agreement to repay the amount you borrow. All Stafford and PLUS loan borrowers are required to complete a Direct Loan MPN for the new academic year.

What types of Direct Loans are available?

The Direct Loan Program offers the same loans available in the FFEL Program. These include the following loans:

- **Subsidized Stafford Loans** - For students with financial need as determined by federal regulations. These subsidized loans will not accrue interest while the student is enrolled in school at least half-time or during the student's grace and deferment periods.
- **Unsubsidized Stafford Loans** – For all students, regardless of need. These loans accrue interest during all periods.
- **Graduate PLUS Loans** - Offered to graduate/professional students for costs above and beyond those already covered by the Stafford Loans. This loan does require a credit check.
- **Consolidation Loans** - Allows student borrowers to combine multiple forms of eligible federal student loans into one new loan, including FFEL loans and Direct Loans. All Stafford, Grad PLUS, and Perkins loans may be included in a consolidation loan. Private/Alternative, Bar Study, and Institutional loans cannot be included in a federal consolidation loan.

Are the eligibility requirements the same as the FFEL Program?

Yes, to be eligible for Direct Loans, you must be enrolled in school at least half-time and meet general eligibility requirements for the Federal Student Aid (FSA) programs.

How much can I borrow?

Graduate students may borrow up to \$20,500 per year in Stafford Loans (no more than \$8,500 of which may be Subsidized).

Aggregate (total) limits for all Subsidized and Unsubsidized Stafford loans, whether solely from the Direct Loan Program or in combination with FFEL Stafford loans, are:

- \$138,500 for a graduate or professional student (no more than \$65,000 may be subsidized; includes loans for undergraduate study)

For Grad PLUS Loans, there is no set annual or aggregate limit. Students may borrow up to the full cost of attendance, minus any other financial aid you receive (including scholarships, federal work study, and Stafford loans) for each academic year.

What are the interest rates for Direct Loans?

Stafford loans disbursed on or after July 1, 2006 have a fixed interest rate of 6.8%. Direct Grad PLUS Loans have a fixed interest rate of 7.9%.

Is there a fee charged for these loans?

Yes. The Department of Education charges an origination fee on all loans. The amount of the fee varies by loan type and the date of the loan's first disbursement. This fee is deducted from each loan before you receive any loan money, so the loan amount you actually receive will be less than the amount you have to repay. For example, if you borrow a \$10,000 Grad PLUS loan, you will receive \$9,750 after the origination fee is deducted by the Department of Education. Please see the chart below for more information.

Loan Type	If the loan's earliest disbursement date is...	...the origination fee is...	...and the up-front interest rebate is...	"net" origination fee (origination fee – rebate)
Sub & Unsub Stafford	On or after July 1, 2009 and before July 1, 2010	1.5%	1.0%	0.5%
Sub & Unsub Stafford	On or after July 1, 2010	1.0%	0.5%	0.5%
Grad PLUS Loans	On or after July 1, 2009	4.0%	1.5%	2.5%

After entering repayment, students must make 12 on-time monthly payments in order to retain the benefit of the up-front interest rebate.

How will I receive my loan money?

Southwestern Law School will disburse your loan money by crediting it to your school account. Your loan money will usually be disbursed in at least two disbursements, one-half for the Fall semester and the other half for the Spring semester. For students taking summer school courses, these loan funds may be split into thirds.

When do I have to begin repaying my loan?

Direct Stafford and Direct Grad PLUS loans have a six-month grace period that starts the day after you graduate, leave school, or drop below half-time enrollment. You don't have to begin making payments until your grace period ends.

How much time will I have to repay my loan, and how much will I have to pay each month?

Generally, you'll have from 10–25 years to repay your loan(s), depending on the repayment plan that you choose. Your monthly payment amount will be based on how much you borrowed and how long you take to repay. You may choose one of four repayment plans:

- **Standard Repayment Plan** - Fixed monthly payments for up to 10 years.
- **Extended Repayment Plan** - Fixed monthly payments for up to 25 years, depending on the total amount of your Direct Loans. This repayment plan includes fixed and graduated (gradually increasing) payment options.
- **Graduated Repayment Plan** – Offers payments that start off lower and then gradually increase, usually every two years. You will repay your loan in full within 10 years, depending on the total amount of your Direct Loans.
- **Income Contingent Repayment Plan** - Your monthly payment is adjusted each year based on your annual income (and your spouse's income, if you're married), your family size, and the total amount of your Direct Loans. After 25 years, any unpaid loan balance will be forgiven, but you may have to pay taxes on the amount forgiven.
- **Income Based Repayment Plan** – Payments cannot exceed 15% of the borrower's (and the borrower's spouse's) discretionary income. This is calculated as the difference between your Adjusted Gross Income and 150% of the poverty guideline for your family size and state of residence. After 25 years, any unpaid loan balance will be forgiven, but you may have to pay taxes on the amount forgiven.

You can change repayment plans at any time. There is no penalty if you make payments before they are due or pay more than the amount due each month.

Can I ever postpone making loan payments?

Yes, under some conditions you may receive a deferment or forbearance that allows you to temporarily stop making payments. For example, you may qualify for a deferment if you return to school at least half time, are unemployed, or are experiencing an economic hardship as defined in federal regulations. If you do not qualify for a deferment, but are temporarily unable to make loan payments for reasons such as illness or other hardship, you may be granted a temporary forbearance.

What happens if I don't repay my Direct Loan?

If you fail to make a payment on time, you are considered delinquent on your Direct Loan. If you do not make a payment for 270 consecutive days, you are considered to be in default. Default has severe and long-lasting consequences, including the following:

- The Department of Education can immediately demand repayment of your unpaid loan balance.
- The Department will attempt to collect the debt and may charge you for the costs of collecting.

- The default will be reported to the national credit bureaus.
- You are ineligible for Title IV student aid.
- You are ineligible for deferments.
- The Internal Revenue Service can withhold your federal income tax refund.
- Your wages may be garnished.

Can my loan ever be discharged or forgiven?

You must repay your loan even if you do not complete your program of study or are unhappy with the education you paid for with your loan. However, your loan may be discharged (forgiven) if you have your loan discharged in bankruptcy, if you become totally and permanently disabled (additional conditions apply), or if you die.

Some or all of your loan may also be discharged if your school closed before you completed the program, if the school forged your signature or falsely certified that you were eligible for aid, or if you dropped out of school and the school did not pay a refund of your loan money that it was required to pay under federal regulations. You may also qualify for forgiveness of some of your loans if you teach full time for five years in certain low-income schools and meet other requirements.

Can I have my loan payments automatically paid from my bank account?

Yes, and this payment option will save you time and money! The Direct Loan Program offers the option of having your loan payments automatically deducted from your bank account, saving you the trouble of writing a check each month and ensuring that your payment will always be made on time. Plus, your interest rate will be reduced by a quarter point (.25%) during all periods when your payments are being made under this option.

Can I borrow a federal loan through both DL and FFELP programs?

No, because Southwestern Law School has made the decision to participate in the Direct Loan Program. All federal loans borrowed for the Summer 2010 semester and beyond will be processed as Direct Loans. We will no longer certify federal student loan applications through private lenders.

What will happen to the existing loans that I have borrowed from other lenders?

After graduation you have a choice. You may either make individual payments to your previous lender(s) and to the Department of Education for your Direct Loans or you may consolidate your loans into one payment. You may consolidate all of your loans with your previous lender or with the Department of Education. However, many private lenders have discontinued their consolidation services at this time. For more information regarding DL consolidation refer to this website: <http://loanconsolidation.ed.gov/index.html>.

Will my existing loans begin repayment when I switch to DL?

No, as long as you continue to be enrolled in school at least half-time your current loans (FFEL) will remain eligible for an in-school deferment.

Do I have to complete another Master Promissory Note (MPN)?

Yes, you must sign a new Direct Loan Master Promissory Note because you will now have a new lender, the U.S. Department of Education. The Federal Direct Loan Master Promissory Note (MPN) process can be completed on-line. You will be required to use your U.S. Department of Education issued PIN to complete an electronic MPN. If you are a graduate or professional student who borrows from both the Stafford and Grad PLUS Loan programs, you will need to sign two MPN's, one for the Stafford Loan and one for the Grad PLUS Loan.

If I apply for an additional loan increase within the same academic year do I need to sign another promissory note?

Generally, you do not have to sign another promissory note if you request a loan increase. One of the benefits of a Master Promissory Note (MPN) is that it can be used for multiple loans for multiple academic years or multiple loans taken within the same academic year. The only exception is for students that need a co-signer for their Grad PLUS loans. The co-signer will need to sign another promissory note before the loan increase can be approved.

When should I complete a Direct Loan Master Promissory Note?

Complete the Direct Loan Master Promissory Note before the end of the spring 2010 term. Please visit the Direct Loan Master Promissory Note website at: www.studentloans.gov.

Do I have to complete entrance counseling again?

If you already completed entrance counseling while enrolled at Southwestern, then you do not have to complete entrance counseling again. For those that have yet to complete the entrance counseling, you can go to: www.studentloans.gov.

Can I consolidate my Direct Loans and FFELP loans?

Yes, for more information on consolidating student loans visit the Federal Direct Consolidation Loans Information Center at: <http://loanconsolidation.ed.gov/>.

Where can I get more information on Direct Lending?

Direct Loan borrowers can contact the Direct Loan Customer Service Center at (800) 848-0979 or (315) 738-6634. FAX: (800) 848-0984
TDD: (800) 848-0983

Direct Loan Program Websites:

General Direct Loan Information:
<http://www.direct.ed.gov/student.html>

Direct Loan Entrance Counseling:
www.studentloans.gov

Direct Loan Master Promissory Note:
www.studentloans.gov

Direct Loan Servicing Information:
<https://www.dl.ed.gov/borrower/BorrowerWelcomePage.jsp>